STATEMENT OF

LINDA REINEKE
GRAIN DEPARTMENT DIRECTOR
NATIONAL FARMER ORGANIZATION

TO THE

HOUSE AGRICULTURE COMMITTEE

May 3, 2001

Mr. Chairman, members of the House Agriculture Committee, I am Linda Reineke, National Director of the Grain Department of National Farmers Organization. Thank you for the opportunity to appear before the committee today on behalf of NFO's farmer members. NFO has been marketing agricultural products for its members for 55 years and utilizes collective bargaining in their behalf.

Our members are involved in grain, livestock, dairy and specialty grain production. Grain prices influence most areas of agricultural production and the agricultural economy. Therefore, stabilizing grain prices underpins prices received in other areas of production agriculture.

Independent dairy and livestock producers are selling their herds and becoming grain sellers. The loss of their herds does not decrease production in those sectors of agriculture on a national basis. Instead, larger entities are increasing production and feed usage is stable.

The link between grain, livestock and dairy is quite clear prior to 1998. Monthly market prices received by Iowa producers are parallel to one another *(see Charts 1 and 2)* prior to Freedom to Farm. The deviation begins in December of 1998 until the present where the gap widens. This gap coincided with structural changes in the pork industry with the shifting of pork production from diversified farms to large corporate entities. Farmers, who normally fed portions of their grain, were now in a position that forced them to sell their grain. This change was brought about through the constant reduction in market opportunities for hogs.

Hog prices went to record lows in 1998. This caused many independent producers to evaluate their future under these conditions. These conditions were brought about in part by government programs that caused grain to be sold in the year that it is produced; therefore most grain is dumped on the market just before harvest. The option to hold grain and to feed livestock has been reduced because farmers do not have other options.

The widening gap between livestock prices and grain prices is due in part to the large LDP program. Many conditions play a part in setting market levels, however the use of LDP's subsidizes large livestock producers' input costs, increases their revenues, and forces the taxpayer to pick up the expense. The normal trend in agriculture is that the grain and livestock market levels run almost parallel. This has not been the case since LDP's and marketing gains went into affect in late 1998. According to the USDA NASS, we had 138,000 hog operations in 1997 who finished 60 million head of hogs. In 2000, there were 85,000 operations finishing 60 million head of hogs.

Chart 1

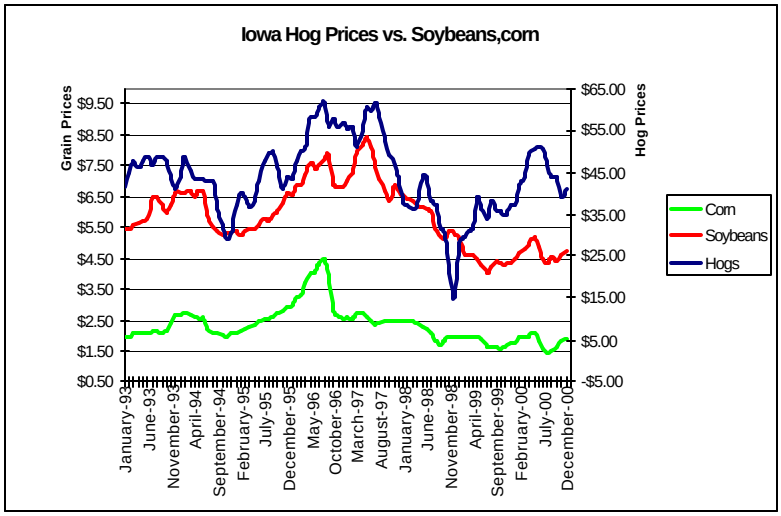
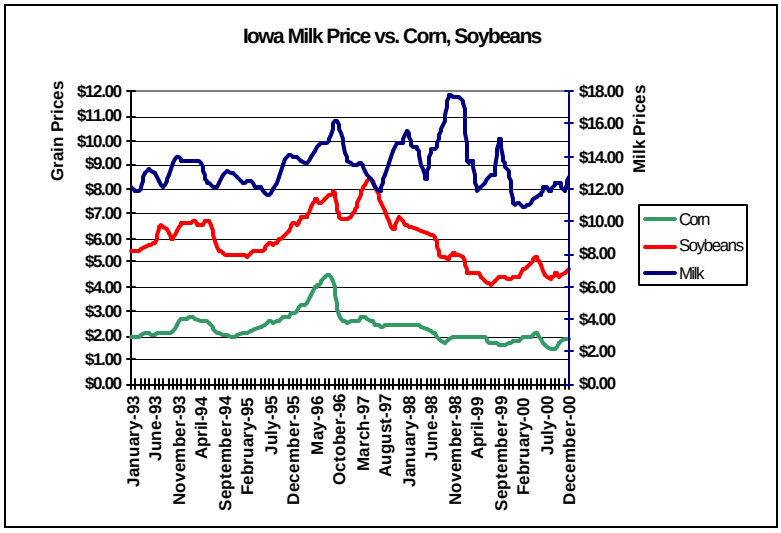


Chart 2



Therefore, the effects of eliminating the LDP would be to simply return to a system of paying the full cost of their inputs by the livestock industry, as was the case prior to 1998,

rather than being subsidized by LDP's. Prior to 1998, there were more independent producers involved in livestock and dairy production that fed their own inputs rather than purchasing them, and were self sustaining in their operations.

DAIRY

Dairy producer income is at disastrous levels and has been there for several months. We are seeing many herd dispersal's in most dairy areas with a devastating impact on the local dairy industry and the infrastructure in those local communities.

Since the U.S. Dairy Industry for the most part, produces for domestic consumption, it would seem that it would be relatively easy to put in place legislation that would bring stability and prosperity to the entire industry.

Programs that can be most beneficial to dairy producers are in the areas of Animal Health and Disease Control, Class III Supplemental Payments, and Trade Regulations. They are as follows:

A. Establish a supplemental payment program through federal and state milk marketing orders to ensure that revenues received by dairy producers from sales of Class III and Class IV milk are no less than $11.08 per hundredweight.

The Class III and Class IV supplemental payment component of this program would authorize the use of CCC funds to augment revenue in federal and state milk marketing order pools to ensure that Class III and Class IV revenues per hundredweight are not less than $11.08. The Federal milk order announced price for Class III milk at 3.5 percent butterfat test averaged $11.08 during the 20-month period February 1999 through September 2000.

During any month that federal order Class III or Class IV, or equivalent state order prices are less than $11.08 per hundredweight, the CCC would make a payment into the relevant pools in an amount equal to the difference between $11.08 and the Class III price times the volume of Class III milk in the pool and/or, as appropriate, the Class IV price times the volume of Class IV milk in the pool. This would ensure that payments producers ultimately receive for the portion of their milk used in Class III and Class IV does not fall below $11.08 per hundredweight, for milk at 3.5 percent butterfat test. Producers who are not paid through a federal or state order pool would receive equivalent income supplements in the form of direct payments. In all cases, producers would receive the supplemented blend price on the volume of milk they market that month, up to the volume of milk they marketed the same month the previous year. Producers would receive the blend price calculated with no supplementation on the volume of milk they market for the month, if any, above the volume they marketed the same month the previous year. *This program is truly counter-cyclical in nature in that producers would receive no payments until Class III and IV prices have fallen to $11.08 per hundredweight*.

There are various legislative proposals being offered along these lines that vary somewhat in the formula used, but they would establish a type of floor under milk prices. The following analysis of the Costs and Benefits *(See Appendix 3,4)* is taken from testimony by the National Milk Producers Federation testimony on April 5, 2001. We concur with this analysis.

The key results of this analysis are the following:
1. Enacting a Class III and Class IV supplemental payment program would increase dairy producer income by $5.4 billion over the 2002-2008 period.
2. Enacting a Class III and Class IV supplemental payment program would increase government costs by $6.8 billion over the 2002-2008 period. The increase in government costs would slightly exceed the increase in dairy producer income because the payments would result in some increased milk production. This would increase CCC purchase costs and reduce revenues received from the market.
3. The benefit-cost ratio of enacting a Class III and Class IV supplemental payment program would therefore be .79 to one for the industry as a whole. However, this program would improve producer equity considerably. In the absence of the program, Class III prices would average $10.12 per cwt. over the 2002-08 period, compared with an average of $12.92 per cwt. for Class IV prices over the same period, a $2.80 per cwt. difference. With the program, effective Class III prices, including supplemental payments, would average $11.08 per cwt. over the period, compared with an average of $12.94 per cwt. for effective Class IV prices over the same period, a $1.86 per cwt. difference.

National Milk Producers Federation estimated that in the most expensive year of our plan, dairy's contribution to the U.S. Amber box will total $6.3 billion. This amount represents an additional $1.8 billion to our current average U.S. notification of $4.5 billion for the Amber box.

The U.S. budgetary limit under the Amber Box is $19.1 billion for specific commodities. The United States has plenty of latitude to operate under its non-product specific domestic support, which does not count against our WTO limit (Market Loss Assistance Payments). Except for sugar and peanuts, other commodities have chosen Green and Blue box programs as their main source of government support. If that is the case, our small increase in what the U.S. notifies under the Amber box should have no impact on U.S. WTO commitments.

B. In the U.S. we have several animal health and disease control programs such as Bovine Tuberculosis and swine Psuedorabies. We believe we have a need for funding to control and eradicate a serious concern for our domestic dairy producers, Johne's disease. Johne's Disease is an infectious disorder of the intestinal tract of cattle and other ruminant animals. Although it is generally contracted when a calf is young, it doesn't manifest itself clinically until that animal is older, at which time it begins to lose weight and its milk production drops rapidly. Johne's is not a threat to human health, but just like Foot

and Mouth disease, it is a major concern to dairy farmers who have to deal with its economic consequences.

This disease, which has no effective cure and a vaccine of limited efficacy, costs the U.S. dairy industry at least $200 million annually in lost production, and also reduced cull cow prices. Government studies show that Johne's disease is present in at least 20% of herds across the country, large and small.

To their credit, a handful of states have already undertaken programs that educated dairy producers about the disease, and how to establish a biosecurity protocol so that its spread is reduced and the disease is controlled. However, we believe that the time has come to be much more proactive about the illness. It is not a concern to the public health, because the bacterium causing Johne's is not zoonotic. However, it is a definite threat to the economic health of the dairy industry, and thus we are asking for a multiyear program that will help control the problem.

The proposal we support would help fund a national voluntary program, under which the cost of testing a farmer's herd for Johne's would largely be underwritten by federal money and administered by the USDA through the states. The program would also provide funds to indemnify producers against the economic loss of animals that test positive. We propose that animals found to be infected with Johne's be sent to rendering plants, as opposed to meatpacking facilities. *This will be done to avoid any disruptions to the beef cattle market, and to avoid any perception issues with animals testing positive for Johne's and, subsequently, entering the food supply.*

This program was developed in consultation with leading animal agriculture and veterinary groups, and represents our best opportunity to provide voluntary incentives to control the disorder. The USDA has established precedents for this program through its brucellosis and bovine tuberculosis, control programs. Both have been remarkably successful - to the point where burcellosis has been eradicated, and hopefully bovine TB soon will be. Thus, we think it's time to address another serious animal health concern with this effort. Prevention is the only way for us to deal with these issues and avoid the calamity of overlooking the basic foundations necessary to protect our livestock.

The cost of the program over 7 years is estimated to be $1.3 billion, or approximately $191 million per year. This program would be available to both dairy and beef cattle producers.

C. In the area of trade, the importation of Milk Protein Concentrates is causing a great deal of concern among dairy producers because of its impact on milk prices. The Government Accounting Office detailed this concern in a recent report. The key results of this analysis are the following:

1. Limiting MPC and casein imports to their calendar year 2001 levels would reduce government costs by $874 million over the 2002-2008 period.
2. Limiting MPC and casein imports to their calendar year 2001 levels would increase dairy producer income by $694 million over the 2002-2008 period.

3. An overall benefit-cost ratio of limiting MPC and casein imports to their calendar year 2001 levels cannot be determined because neither dairy farmers nor the government bears any economic cost as a result. The combined benefits, in the form of lower government costs and increased producer income, add up to $1.6 billion over the seven-year period.

Congress should enact legislation to prevent the circumvention of Dairy Tariff Rate Quotas at a cost savings of nearly $900 million to the U.S. taxpayer.

We know that not any one of these proposals, nor the combination of the three, result in a quick fix for U.S. milk prices but would provide some market stability. National Farmers Organization continues in our belief that equitable milk prices must be obtained from the marketplace and this can best be accomplished by the use of collective bargaining and the formation of marketing agencies in common.

GRAIN

I want to address a very narrow area of change that needs to be made to the farm bill, yet the area which will save taxpayers the most money, give our domestic grain users security in their supply of inputs, and be the most influential in improving the agricultural economy.

Commodity prices have created an increased concern in all sectors of the agricultural economy and grain prices are hovering near the lows last seen during the farm crisis of the 1980's. Further, the U. S. economy is showing signs of a slowdown. As a result, these hearings are being held to review remedies. I will address concerns about the depressed agricultural economy and propose a Tax Savings Plan of over $20 billion dollars.

Besides the concern for low grain prices, two interrelated issues should be of interest to people outside the agricultural industry-- a Strategic Food Security System (FSS) and a Tax/Budget Savings Plan (TSP).

According to the USDA, more than $40 billion was sent to farmers in the form of direct and supplemental payments in 1999 and 2000. A strategic Food Security System combined with a price support commodity loan would: 1.) provide consumer security in our grain system for industrial, feed and food usage; 2.) be price supportive for the agricultural commodities; and 3.) save taxpayers as much as $20 billion dollars through reduced payments to farmers.

The FAIR Act went further than needed to be in compliance with our trade commitments. Our agricultural economy is in a crisis due to farmgate prices far below the cost of production and a lack of a price support mechanism.

In comparing corn price trends pre- Freedom to Farm and post Freedom to Farm, I found the following. Our 1999/2000 ending stocks were only 18% of usage compared to 26.5% in 1989/90, prior to Freedom to Farm. The following chart shows that our farm price was substantially better in 1989/90 than in 1999/2000 despite increased usage and reduced

ending stock inventories. The main difference was a change in farm policy that eliminated a food security system and set-asides and implemented the marketing loan.

Corn Usage	1989/90 (Billion Bu.)	1999/2000 (Billion Bu.)
Domestic usage	**5.233**	**7.545**
Exports	**2.028**	**1.925**
Total usage	**7.261**	**9.524**
Ending Stocks	**1.930**	**1.715**
Avg. Farm Price	**$2.64**	**$1.80**
Stocks/Use Ratio*	**26.5%**	**18%**

***Ending Stocks compared to Total Usage shows the amount of inventory left at the end of a marketing year to fulfill needs for the next marketing year.

You'll notice that exports accounted for 28% of our total usage in 1989/90, but exports are only 20% of usage now. The increase in total usage is due to a large increase in domestic usage, not due to increased exports. Exports are not increasing despite the lower prices we are experiencing.

The impact of these proposed changes in current farm legislation can have a positive impact on farmers and consumers. To be effective, it is essential that the current "marketing loan" provision of the farm bill is changed to a "price support loan", thus eliminating LDPs and marketing gain payments. This will provide stability to grain markets by flooring the market at the loan rate. When farmers have to repay the entire loan amount, they do not move the grain into the market until prices achieved are higher than the loan rate. Our increasing domestic usage would create demand that would increase prices. Farmers would be paid from the marketplace rather than from the USDA. In no other sector of the economy does the government subsidize input costs of a manufacturer as it does in agriculture.

But just as important, these proposed changes will provide consumer food security and will provide $20 billion in relief to the budget and to taxpayers.

BACKGROUND INFORMATION

The Farm Service Agency (FSA), on behalf of the Commodity Credit Corporation (CCC), administers commodity loans to farmers using the crops as collateral for the loans. Under the FAIR Act, the farmer repays his CCC loan based on the loan rate plus interest or the Posted County Price (a calculation to determine local price), whichever is lower. When a producer pays off the loan based on the Posted County Price, the FSA refers to this reduced repayment as a Market Gain.

A farmer may elect to take a Loan Deficiency Payment (LDP) in lieu of the CCC loan when Posted County Prices are less than the county loan rate. Loan Deficiency Payments are calculated in the same manner as the Market Gain and are made as a direct payment to farmers.

According to the Price Support Division of the Farm Service Agency[1], $3,810,550,000 was paid to farmers for 1998 crops for Loan Deficiency Payments (LDP) and Market Gain activity. For the 1999 crop, the amount spent soared to $8,005,412,700. So far, in the current fiscal year, $6,031,378,700 has been paid out for the 2000 crop. In combination with market transition payments and other special subsidies, over $40 Billion was spent in 1999 and 2000 to supplement commodity prices.

If a Strategic Food Security System and Price Support Loan is implemented, it would reduce farmers' dependency on government subsidies, benefiting the budget and U. S. taxpayers due to reduced federal spending on LDP and other programs. We see a definite benefit to U.S. producers in the form of higher commodity prices due to storing a portion of the supply, unavailable to the market until prices and demand reflect that the commodity is needed.

FOOD SECURITY

If a major shift in supply occurs because of a drought or other disaster in the United States, based on current usage, the U.S. has, on average, less than 100 days supply of the three major crops produced. (*see Table 1.1*)

Commodity	U.S. Ending Stocks 2000/01 (In bushels)	# Days Supply
Corn	**1,806,000,000**	**67**
Soybeans	**320,000,000**	**43**
Wheat	**814,000,000**	**121**

Table 1.1 USDA January 11th Supply Demand Report (Appendix 5). The number of day's supply is based on projected ending stocks divided by current usage (domestic and export) from this USDA report.

Moreover, the World Supply and Demand picture also shows the lowest inventories in recent history. If the United States were to experience a reduced supply due to drought or other natural disaster, other nations of the world may not be able to fulfill the short term U. S. consumer and industrial needs. *(see Table 1.2)*

Commodity	World Ending Stocks 2000/01 (In bushels)	# Days Supply
Corn	**4,011,190,000**	**62**
Soybeans	**859,426,000**	**51**
Wheat	**4,038,459,000**	**67**

Table 1.2 USDA January 11th Supply Demand Report. The number of day's supply is based on projected World ending stocks divided by current world usage excluding exports from this USDA report.

[1] Farm Service Agency, Price Support Division Report 1-17-2001 (http://www.fsa.usda.gov/dafp/psd/reports.htm)

This paper proposes a "strategic food reserve program" to establish a food security system in the United States. This food security system would: 1.) provide consumer security in our grain system for industrial, feed and food usage; 2.) be price supportive for the agricultural commodities; and 3.) save taxpayers as much as $20 billion dollars through reduced payments to farmers.

A food security system should have two parts. First, it should be structured with a target price to be achieved on grains before the grains in the strategic food system could be released. Second, farmers should be paid for the costs of storage and maintaining quality of the grain.

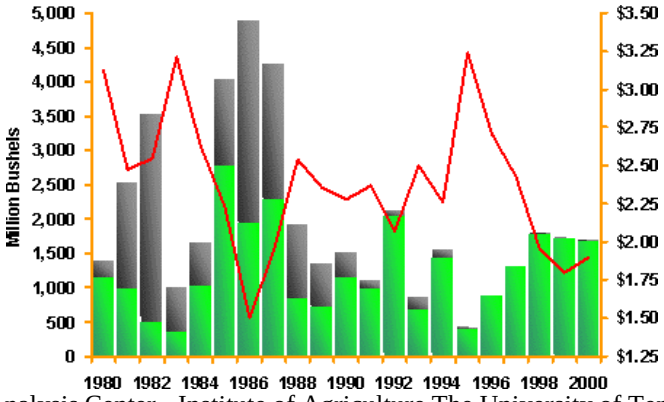
The grain put into the Strategic Food Security System (FSS) would be grain that had been under the CCC nine-month loan. Prior to loan expiration the farmer could request his grain be admitted into the FSS. The USDA would allow ending stocks of grain exceeding 10% of the current stocks to use ratio to be admitted into the FSS. Farmers would be paid 25 cents per bushel annually for storage and to maintain quality. Part of this quality maintenance would include the ability to replace the grain the following harvest with new crop grain.

The grain in the Strategic Food Security System could not be released into the market until certain price levels were achieved indicating demand in the market had increased due to a shortage of available supply. In the early eighties, despite large inventories, prices were supported by a higher price support loan. The inventory in the Farmer Owned Reserve was needed because of low supplies in 1983; therefore prices reached the trigger level of $3.25 to cause the release of the captive supply. *(See Chart 3)* This same reaction could be expected with a Strategic Food Security System. Trigger prices reduce volatility in the market because the release of supplies to end users during emotional shortages eases concerns of unavailability of supply and of prices inflated by emotion. A prime example was the $5.50 corn seen in 1996.

Chart 3

The following chart denotes annual ending stocks of corn in green (bottom of column); farmer owned reserve corn in the gray (top of column), and average farm price as the red line.

Corn Stocks and Price



(Agricultural Policy Analysis Center - Institute of Agriculture The University of Tennessee).

Suggested trigger price levels for FSS are in Table 1.3

Commodity	Suggested FSS Trigger Price
Corn	$3.25 per bushel
Soybeans	$6.50 per bushel
Wheat	$4.00 per bushel

Table 1.3 Note: Suggested Target Price is 125% of loan rate. This should limit market volatility in times of short supply due to the release of Strategic Food Reserves.

If prices did not achieve the Trigger Prices within a three-year period, the farmer would have to re-apply for entry into the FSS or forfeit the grain to CCC in exchange for release and cancellation of the loan.

The issue of Food Security is a "green box" exemption within the Agreement on Agriculture. Our domestic usage is a large part of our utilization on all grains; therefore securing a supply for internal use during periods of low stocks would be an important social objective and would not distort trade. The "green box" allows for expenditures in relation to the accumulation and holding of public stocks for food security purposes.

The Plan of Action developed at the World Food Summit in Rome in November of 1996 places considerable emphasis on the need of food exporting countries to act as reliable sources of supply to their trading partners and give due consideration to the food security of importing countries, especially the Least Developed Countries. In light of the low world stocks of grain, it is our obligation to implement a Food Security System.

We support HR 32, the flexible fallow program introduced by Mr. Bereuter and Mr. Schaffer. Farmers having the choice of reducing the percentage of their normal crop acres planted in return for a higher loan rate would be within the "blue box" exemptions of our trade agreements, encouraging increased conservation measures. This bill as a price support loan, instead of utilizing the marketing loan, would discourage farmers from planting more than the market is demanding as is determined by market prices. Rising costs of inputs are natural catalysts to reduce acres in return for higher loan rates. The marketing loan encourages increased production and acres planted which increases LDP and Marketing Gain payments to the farmer.

I believe the Conservation Security Act HR 1321 as introduced by Mr. Thune and others, used in conjunction with a flexible fallow program would be preferable to enrollment in the current Conservation Reserve Program (CRP). CRP is utilized widely by retiring farmers and investors as an income source that artificially inflates land rental costs and discourages retired farmers from renting land to beginning farmers for a 10-year period.

CROP YEAR FORECAST FOR YEAR 2001/2002

The Strategic Food Security System and Price Support Loan programs are important because current forecasts suggest that LDPs will continue to be a budgetary problem since worldwide exports on wheat and corn appear to have reached a saturation point.

According to Daryll E. Ray[2], an economist at the Agriculture Policy Analysis Center at the University of Tennessee, farmers should not look to future exports to help them out. For two decades, grain exports have been flat and now American farmers also face increasingly stiff competition from overseas farmers. "Prices and incomes can be chronically depressed," Ray said. "And this is not a short-term problem."

In addition, the effects of increasingly large U.S. ending stocks, although good from a food security aspect, will have a devastating cost to U.S. taxpayers due to the cost of LDPs. On top of this, more and more farmers and rural businesses will be negatively impacted. Finally, reduced commodity prices increase the U.S. trade deficit. Agriculture has continuously contributed to trade by having a positive balance of trade. Low commodity prices hinder that. Lower commodity prices do not increase the quantity of exports. "When U.S. prices drop, our competitors quickly lower their selling prices for crop exports as well," according to Daryll E. Ray[3].

It is generally expected that farmers will plant more acres of soybeans and fewer acres of corn and wheat this spring. Because of this increased production, soybeans have the potential to reach new lows in the next crop year that will increase budget costs for LDP payments due to a shift in supply to soybeans.

So far this crop year, LDP payments on soybeans have averaged 94 cents per bushel, corn has averaged 30 cents per bushel, and wheat has averaged 45 cents per bushel. With more soybean acres next year, and with stable demand/usage, LDP payments on soybeans will be higher next year. Reduced corn and wheat acres will naturally reduce production next year, but inventories remaining from the current year which must move into the stocks held by the grain companies before harvest will limit higher grain prices.

ESTIMATED LDP COSTS FOR 2001/02 COMPARED TO FSS

According to Daryll E. Ray, low agricultural prices don't trigger large increases in demand to deplete stocks. In most sectors of the economy, low prices and high inventories trigger an increase in demand for the goods or products, as consumers take advantage of low prices. But examinations of the data reveal that agricultural demand, both domestic and export, has not responded to price swings sufficiently to deplete large inventories. Also, the supply of livestock to consume feed grains is relatively fixed at any given time. It would be difficult as a nation to eat much more. Year-to-year changes in export demand are driven more by world production shortages or gluts because of yield swings and less by price swings.[4]

[2] World-Herald Bureau.. Febuary 15, 2001
[3] Policy Matters, Agricultural Policy Analysis Center, Volume 5, Number 3
[4] Freedom To Farm: A Comparison of What We Were Told To Expect and What Happened Agricultural Policy Analysis Center - Institute of Agriculture The University of Tennessee

The charts *(see Charts 4, 5, 6)* reflect that since 1994, our highest exports on corn and wheat were at the same time as the highest grain prices we have seen in recent history, but also when the U.S. supply was very short. This indicates that grain exports are indeed driven by need, not price.

Chart 4

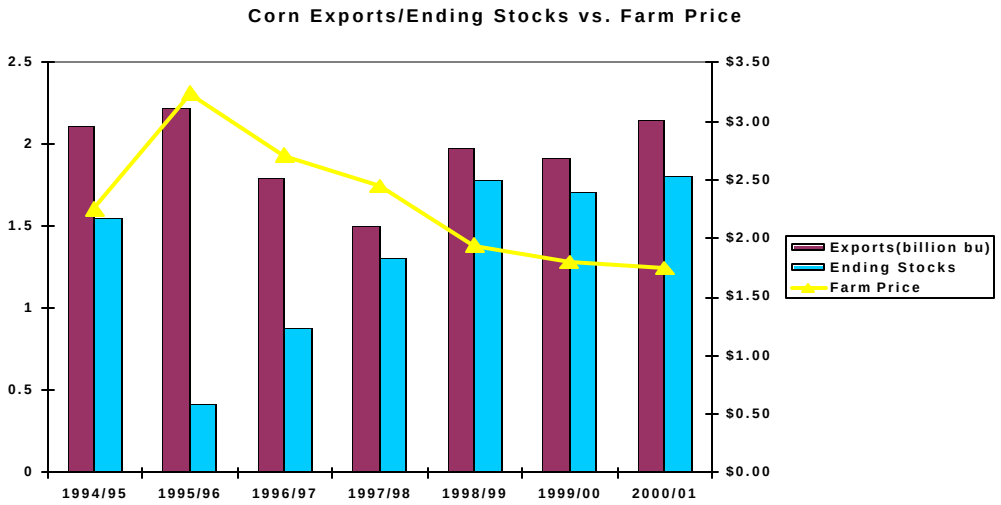


Chart 5

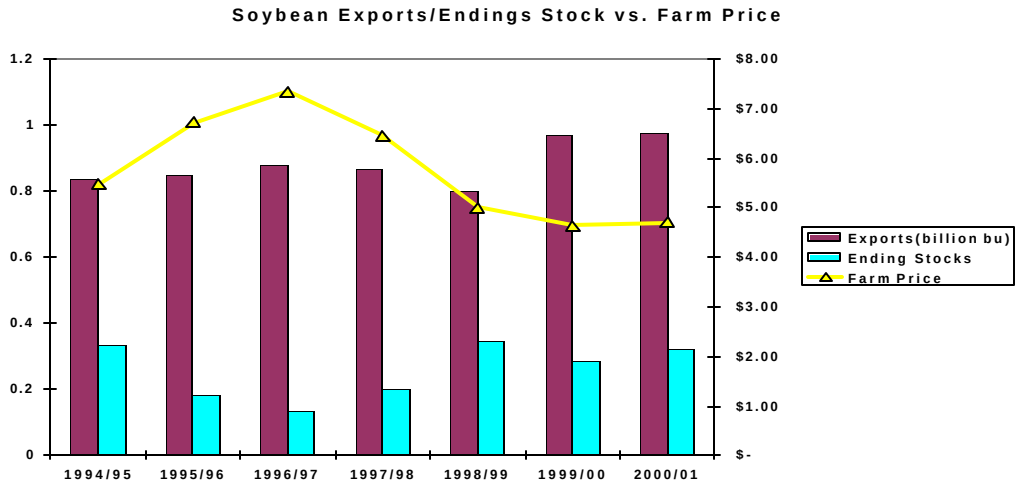
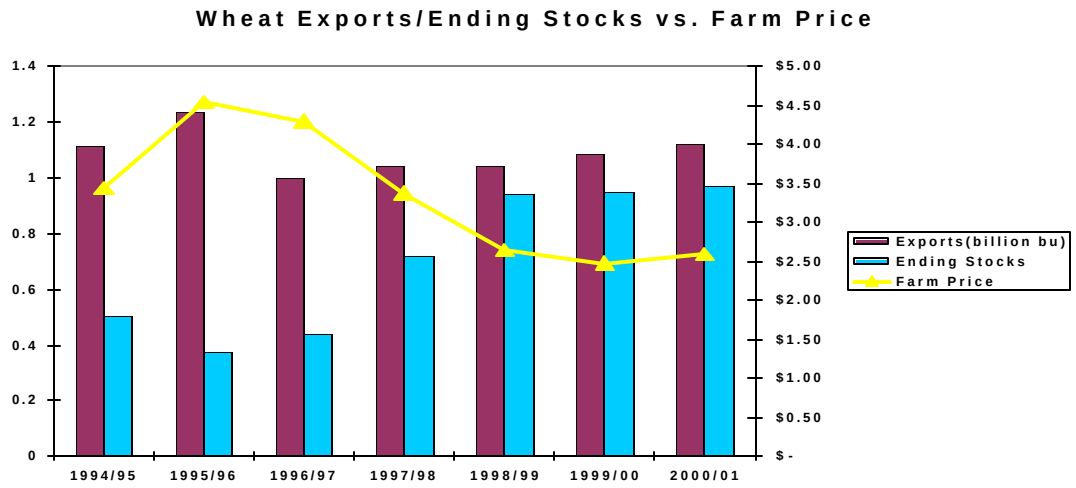


Chart 6



World soybean demand has been increasing and so have the U.S. exports, but increased South American production has filled much of that world demand. The somewhat improved exports are mainly due to improved economic conditions in Asia that will reach a saturation point.

Therefore, if nothing is done and a normal growing season develops, and we will again have a large supply of grain. Costs to taxpayers for LDP's and Marketing Gain will steadily increase for the next several years. For the 2001/2002 crop years LDP and Marketing Gain costs are expected be over 9 billion dollars *(see NOTE for Table 1.4).*

The following calculation presumes 2% of corn acres will switch to soybeans for the 2001/2002 crop year with yield estimates for these major crops equivalent to this year. The current LDP averages are used in this assumption.

Commodity	Projected LDP	Est. 2001/2002 Production	Projected LDP Payments to farmers
Soybeans	$ .94	2,829,000,000	$2,659,260,000
Corn	$ .30	9,731,000,000	$2,919,300,000
Wheat	$ .45	2,306,000,000	$1,037,700,000
Projected costs to taxpayers for LDP's with current estimates and conditions…			**$6,616,260,000**

Table 1.4 NOTE: This chart itemizes only the major grains. In 1999, 70% of LDP and market gain payments were made to producers of these grains. **The assumption then would be that an additional $2.8 billion will be paid to producers of other grains and oilseeds. This would make the estimated total LDP payments and market gain payments to farmers for 2001 crop a total of $9.45 billion**.

The U.S.D.A. estimated in October 2000 that LDP and Marketing Gain Losses for the 2001/2002 crop year would be $5.6 billion dollars. These projections may be understated because prices have come down from that time.

If the U.S. were to adopt a Strategic Food Security System combined with a Price Support Loan, crop prices would stabilize, thereby reducing the need for subsidies under the current Marketing Loan program. When compared to the Tax and Budget costs under the current program *(see Table 1.4),* storage costs for the Strategic Food Security System would be minimal. *(see Table 1.5)*

The grain put into the Strategic Food Security System (FSS) would be grain that had been under the CCC nine-month loan. The USDA would allow ending stocks of grain exceeding 10% of the current stocks to use ratio to be admitted into the FSS. The following table is based on production estimates for 2001/02 *(see Table 1.4*) and usage projected to be the same as the current year.

Storage Payments to Farmers for the Strategic Food Security System for 2001/2002

Storage - soybeans	135,000,000 bushels @ .25 cents	$ 33,750,000
Storage - corn	668,000,000 bushels @ .25 cents	$167,000,000
Storage - wheat	516,000,000 bushels @ .25 cents	$129,000,000
Total storage payments 2001/2002 crop year		**$329,750,000**

Table 1.5 **Figures:** The formula used to determine the information in the above table is as follows: Using soybeans as an example, assuming stable total use x 10% [2.743 x 10% = .274] Subtract this amount from estimated ending stocks [.409 - .274 = .135]. Calculations are in billions of bushels, therefore .135 billion bu. = 135,000,000 bushels.)

Using estimated costs of Loan Deficiency and Marketing Gain payments *(see Table 1.4)* and stable direct federal payments and emergency subsidies for the 2001/02 crop year concludes a total of $20 Billion could be spent to stabilize the agricultural economy next year. *(see Table 1.6)* A Price Support Loan would eliminate the need for these payments.

Storage costs for a United States Food Security System would only be about $330 Million. *(see Table 1.5)* The "green box" allows for expenditures in relation to the accumulation and holding of public stocks for food security purposes.

The estimated Budget savings to taxpayers are $20 Billion. *(see Table 1.6)*

Cost Comparison 2001/02 Crop Year -- Current Program vs. Food Security System

Loan Deficiency and Marketing Gain Payments -- *estimated*	$ 9,450,000,000
AMTA -- *estimated*	$ 5,059,000,000
Market Loss Assistance -- *estimated*	$ 5,462,000,000
Oilseed Program -- *estimated*	$ 460,000,000
Total estimated Payments	$ 20,431,000,000
Less Food Security System Storage payments(Table 1.5)	-$ 329,750,000
Total Estimated Budget Savings	**$ 20,101,250,000**

Table 1.6 comparisons: This assumes that supplemental assistance and AMTA payments of $10.981 billion made in 2000 (from the USDA, FSA Legislative Liaison's Office) remains constant, LDP cost estimates in Table 1.4, and uses FSS storage estimates in Table 1.5.

There would be very little impact on the USDA/CCC budget due to loan forfeiture. The CCC currently does not acquire sufficient quantities of grain to fulfill PL480 requirements and must purchase commodities from grain companies. (*See Appendix 2*) If farmers forfeited grain to the CCC because of prices being below loan rate, this grain could be used for PL480 sales or food aid shipments. The CCC now purchases the grain then sells it to PL480 recipients. Forfeited grain could be donated for food aid or sold instead. In the case of PL480 sales, the CCC would then be repaid from the country receiving the assistance.

CONCLUSIONS AND FINDINGS

A Farm Bill is not expected to guarantee success for farmers. However, the Farm Bill is the only partner farmers have against a ruthless world market. Much the same as the minimum wage law protects workers; the farm bill should protect farmers. If not for a minimum wage law, an excess of workers in the market may push wages to $1 per hour or less. That would not be good for America, and neither is sub-production cost grain prices.

The impact of these proposed changes in current farm legislation can have a dramatic, positive impact on farmers and consumers. To be effective, it is essential that the current "marketing loan" provision of the farm bill be changed to a "price support loan", thus eliminating LDPs and Marketing Gain Payments. This will provide stability to grain markets by flooring the market at the loan rate. When farmers have to repay the entire loan amount, they do not move the grain into the market until prices achieved are higher than the loan rate. A flexible fallow program would voluntarily idle least productive acres.

Collective bargaining is a tool that can greatly enhance farmer prices. Freedom to Farm has diminished our ability to collectively bargain for our member grain producers because of the individual nature of LDP's and the Marketing Loan Program. This is compounded by the concentration of market control by fewer processing and purchasing firms leaves farmers with very little ability to impact markets. I would hope the farm bill would include amendments which strengthen the farmers position in the market such as The Family Farmer Cooperative Marketing Amendments Act of 2001 (H.R.230).

Further, with the immediate savings from implementing a Price Support Loan and elimination of AMTA**,** LDP's and Marketing Gain payments to farmers on the 2001/2002 crop, this plan has the potential to save the American taxpayer nearly $20 billion. Direct federal payments for regular and emergency subsidies paid to farmers nationwide were in excess of $20 billion in both 1999 and 2000.

If we announced a Farmer Owned Food Security System today, extending the amount of time before excess product goes to market, commodity prices will immediately improve which would lead to improved economic stability nationally. Thus, this Strategic Food Security program will support prices by shifting the supply curve inward, thus raising prices for farmers at the same time consumers benefit from the program through lowered taxes and a more secure food supply.

The Agreement on Agriculture left great scope for government to design ag policies in light of specific circumstances in individual countries. Our farmers are responsible for higher input costs, taxes, land values, and technology fees for example, than in other developed countries. On farm production costs for soybeans in Iowa are $5.89 per bushel compared to $2.89 per bushel in Mato Grasso, Brazil. The United States government does not subsidize other sectors of business in America the same as end users of agricultural commodities are subsidized. If input costs increase in other sectors, they increase their selling price to consumers. If inventory does not sell, they reduce production or offer to sell cheaper, but rarely below their cost of production.

Flexible fallow is a "blue box" exemption from the general rule that all subsidies linked to production must be reduced if kept within defined minimal levels. It covers payments directly linked to acreage, but also limits production by imposing quotas or requiring farmers to set aside part of their land. Farmers in the United States need a Farm Bill that gives them the tools to effectively manage inventory, yet give them choices in which commodities to produce.

This plan would cost less to taxpayers, making prices more transparent and more market based. Instead of producing more to receive more LDP payments, farmers would have a choice to produce less and receive a better price for their product.

The bottom line is that by establishing a Strategic Food Security System and a price support loan, the savings to taxpayers would be more than 20 billion dollars for the 2001/2002 crop year.

Other issues in the new farm bill are very important, but they are not my areas of expertise. I encourage passage of the Conservation Security Act and continued funding of WIC and Food Stamp programs. I would ask for changes to the Conservation Reserve Program that would shorten the length of time, not the acreage amount, which is placed in this program.

We've diverted acres across the country under the CRP to save topsoil and reduce production on marginal and erodible land, but the loss of water and energy resources is also damaging. We would like consideration of a CRP for use in areas where water is most limited that would reduce irrigated production of crops.

Expanded usage of grains and wind into alternative energy sources can lead to more energy independence, reduced energy costs to consumers, increased commodity prices,

and a more healthy economy. We would ask for a national mandate to accept 10% alternative energy sources into the grid.

We need to be very aware of the increasing domestic usage of our renewable agricultural commodities. The expanding domestic usage can help stabilize both our agricultural and general economy. Therefore continued funding for research and develop is desired.

Every country has a sovereign right to pursue non-trade objectives such as strengthening the socio-economic viability and development of rural areas, food security and environmental protection. These objectives cannot be achieved by market forces alone. This was recognized at a Conference on Non-Trade Concerns in Agriculture attended by 40 countries and economies, which was held in Ullensvang, Norway, from July 1-4, 2000.

Linda Reineke
Grain Department Director
National Farmers Organization
Ames, Iowa 50010
Phone: 515-292-2000 ext. 370
FAX: 515-292-7106

Price Support Division

Loan Deficiency Payment and Price Support Cumulative Activity As of 1/17/01

IMPORTANT: (1) Data in this report is updated **weekly**. (2)Quantities and Amounts are in **1000's**. (3)Units of Measure: Wheat, Corn, Barley, Soybeans, and Oats in *Bushels*, Flaxseed, Grain Sorghum, Sunflower Oil & Other, Canola, Rapeseed, Safflower, Mustard Seed, and Rice in *CWT*,; Upland Cotton in *Pounds*. (4)Upload Cotton Loan/LDP Data provides *Form A* (FSA County Office) and *Form G* (Approved Cotton Co-op) Activity

1999 National Totals

	Loan Deficiency Payments			Loan Activity				
Comm	Total Quantity	Total Payment	Average Payment	Quantity Under Loan	Total Repayment Quantity	Market Gain Quantity	Market Gain Amount	Average Market Gain
WHT	1,911,100.30	$889,840.84	.47	141,322.92	122,675.87	115,113.31	$47,563.58	.41
CORN	7,269,237.49	$1,993,021.21	.27	1,377,807.18	1,382,490.17	1,265,934.24	$412,297.58	.33
BRLY	204,471.78	$37,171.28	.18	13,006.93	12,000.97	8,615.27	$1,234.93	.14
OATS	122,430.43	$28,156.54	.23	1,651.63	1,589.35	1,483.03	$284.13	.19
FLAX	3,698.21	$9,290.61	2.51	240.47	153.97	153.52	$540.09	3.52
SOYA	2,319,060.96	$2,107,116.87	.91	284,235.22	273,912.38	271,942.72	$218,570.70	.80
SORG	276,864.78	$148,733.34	.54	9,566.72	9,055.89	8,255.90	$3,882.57	.47
UP	3,393,440.71	$687,005.83	.20	4,284,874.20	4,281,622.54	4,271,797.06	$858,926.53	.20
SUNO	30,828.39	$109,392.96	3.55	1,988.29	1,793.91	1,783.82	$6,542.83	3.67
CANO	13,022.87	$34,227.09	2.63	206.30	176.35	166.14	$509.57	3.07
RAPS	36.90	$31.77	.86					
SAFF	.52	$.40	.76	34.88	33.46			
MUSD	347.15	$463.08	1.33	27.77	25.76	25.76	$36.40	1.41
SUNF	3,750.41	$10,230.82	2.73	403.80	364.92	66.95	$206.68	3.09
CRAM	243.55	$666.24	2.74	140.79	140.59	133.94	$392.77	2.93
HONY				20,993.89	20,024.73			
RRICE	95,400.00	$158,937.89	1.67	106,220.79	110,645.94	110,319.39	$240,137.67	2.18

Appendix 1

Price Support Division

Loan Deficiency Payment and Price Support Cumulative Activity As of 1/17/01

IMPORTANT: (1) Data in this report is updated **weekly**. (2)Quantities and Amounts are in **1000's**. (3)Units of Measure: Wheat, Corn, Barley, Soybeans, and Oats in *Bushels*, Flaxseed, Grain Sorghum, Sunflower Oil & Other, Canola, Rapeseed, Safflower, Mustard Seed, and Rice in *CWT*,; Upland Cotton in *Pounds*. (4)Upload Cotton Loan/LDP Data provides *Form A* (FSA County Office) and *Form G* (Approved Cotton Co-op) Activity

2000 National Totals

	Loan Deficiency Payments			**Loan Activity**				
Comm	Total Quantity	Total Payment	Average Payment	Quantity Under Loan	Total Repayment Quantity	Market Gain Quantity	Market Gain Amount	Average Market Gain
WHT	1,749,243.28	$778,447.58	.45	168,385.70	86,149.11	78,005.56	$39,258.65	.50
CORN	6,810,296.23	$2,066,866.27	.30	1,181,706.41	282,381.66	274,305.29	$77,361.57	.28
BRLY	235,222.34	$65,072.76	.28	15,092.77	7,245.35	5,271.58	$1,312.92	.25
OATS	137,445.39	$40,800.33	.30	1,661.36	433.60	433.40	$138.01	.32
FLAX	4,950.59	$20,470.47	4.13	181.72	137.06	136.06	$552.20	4.06
SOYA	2,123,089.90	$1,991,221.33	.94	292,947.72	113,669.42	113,359.03	$109,953.60	.97
SORG	154,289.95	$77,790.91	.50	7,898.99	3,860.56	3,117.96	$1,649.68	.53
UP	2,203,607.88	$94,629.39	.04	4,021,190.13	2,749,791.75	2,718,235.27	$103,730.56	.04
SUNO	22,048.41	$97,492.98	4.42	2,295.07	1,532.49	1,531.19	$6,829.60	4.46
CANO	18,092.25	$66,524.41	3.68	745.10	644.41	644.32	$2,414.56	3.75
RAPS	47.36	$99.45	2.10					
SAFF				33.53	2.83			
MUSD				18.46	4.11			
SUNF	4,076.60	$12,325.84	3.02	246.99	71.55	69.57	$208.72	3.00
CRAM	95.15	$357.98	3.76	229.99	227.54	227.54	$838.99	3.69
HONY				39,917.22	1,295.17			
RRICE	86,887.23	$253,979.18	2.92	92,869.15	40,274.18	40,269.27	$121,050.92	3.01

APPENDIX 2

PL480 Sales Report

On September 29, 2000, Jamaica purchased 6,500 MT of No. 3 Long Grain Milled Rice, in bulk, under their FY 2000 Public Law 480, Title I program

Delivery Period: November 15-30, 2000

Supplier	**Quantity**	**Price/MT**	**Port**
Louis Dreyfus	2,500 MT	$242.06	Gulf
ADM Rice	1,500 MT	$244.27	Gulf
Louis Dreyfus	2,500 MT	$247.06	Gulf

On September 28, 2000, Peru purchased approximately 33,000 MT of Hard Red Winter Wheat, Minimum 11.0% Protein under their FY 2000 Public Law 480, Title I program

Delivery period: October 20 - November 10, 2000

Supplier	**Quantity**	**Price/MT**	**Port**
Louis Dreyfus	15,000 MT	$132.15	Gulf
Louis Dreyfus	15,000 MT	$133.25	Gulf
Louis Dreyfus	3,000 MT	$134.36	Gulf

On September 27, 2000, Russia purchased 70,775 MT of No. 3 Yellow Corn under their FY 1999/2000 Public Law 480, Title I program

Delivery period: October 7-27, 2000

Supplier	**Quantity**	**Price/MT**	**Port**
ADM	48,275 MT	$82.02	Miss River
Louis Dreyfus	22,500 MT	$82.20	Gulf

On September 26, 2000, the Philippines purchased approximately 46,586 MT of 48% Soybean Meal under their FY 2000 Public Law 480, Title I program

Delivery period: November 1-30, 2000

Supplier	**Quantity**	**Price/MT**	**Port**
Cargill	3,000 MT	$208.30	Miss River
Cargill	10,000 MT	$209.30	Miss River
Cargill	10,000 MT	$210.50	Miss River
ADM	15,000 MT	$211.00	Miss River
ADM	8,586 MT	$211.50	Miss River

On September 26, 2000, the Philippines purchased approximately 104,311 MT of No. 2 Long Grain Milled Rice in 50 Kilo Bags under their FY 2000 Public Law 480, Title I program

Delivery period: November 20 - December 15, 2000

Supplier	**Quantity**	**Price/MT**	**Port**
ADM Rice	21,000 MT	$285.27	Gulf
The Rice Company	525 MT	$286.16	Lake Charles
ADM Rice	30,475 MT	$290.78	Gulf

Delivery period: December 5-31, 2000

ADM Rice	27,000 MT	$285.27	Miss River-Memphis
ADM Rice	10,500 MT	$285.27	Gulf
The Rice Company	1,575 MT	$286.38	Lake Charles
ADM Rice	13,236 MT	$290.78	Gulf

On September 22, 2000, Morocco purchased approximately 51,786 MT of Barley under their FY 2000 Public Law 480, Title I program

Delivery period: November 10-25, 2000

Supplier	Quantity	Price/MT	Port
Columbia Grain	10,500 MT	$94.90	CRDIP
Columbia Grain	10,500 MT	$95.50	CRDIP
Columbia Grain	10,500 MT	$96.50	CRDIP
Columbia Grain	10,500 MT	$97.50	CRDIP
United Harvest	9,785.765 MT	$98.49	CRDIP

☐

On September 22, 2000, Morocco purchased approximately 40,670 MT of Hard Red Winter Wheat, Min. 11.0% Protein , under their FY 2000 Public Law 480, Title I program

Delivery period: October 20 - November 5, 2000

Supplier	Quantity	Price/MT	Port
Louis Dreyfus	40,670.245 MT	$122.94	Gulf

☐

On September 15, 2000, Sri Lanka purchased approximately 37,205 MT of Hard Red Winter Wheat, Min 12.0% Protein under their FY 2000 Public Law 480, Title I program

Delivery period: September 28 - October 12, 2000

Supplier	Quantity	Price/MT	Port
Cargill	37,205.2 MT	$127.99	Houston

☐

On September 15, 2000, Jamaica purchased 7,000 MT of U.S. Grade No. 3 Long Grain Milled Rice in bulk under their FY 2000 Public Law 480, Title I program

Delivery period: December 6-21, 2000

Supplier	Quantity	Price/MT	Port
ADM Rice	7,000 MT	$233.28	Gulf

☐

On July 7, 2000, Angola purchased approximately 3,171 MT of packaged Fully Refined Soybean Oil under their FY 2000 Public Law 480, Title I program

Delivery period: July 28 - August 17, 2000

Supplier	Quantity	Price/MT	Port
4-Liter Cylindrical-Style Cans			
ADM	2,221 MT	$707.60	Lake Charles
20-Liter Metal Pails			
ADM	950 MT	$709.14	Lak

☐

On July 7, 2000, Angola purchased approximately 4,000 MT of Crude Corn Oil, in bulk, under their FY 2000 Public Law 480, Title I program

Delivery period: July 28 - August 12, 2000

Supplier	Quantity	Price/MT	Port
Cargill	4,000 MT	$328.74	Hous

☐

On July 7, 2000, Angola purchased approximately 17,215 MT of Long Grain Milled Rice, in bags, under their FY 2000 Public Law 480, Title I program

Delivery Period: July 28 - August 17, 2000

Supplier	Quantity	Price/MT	Port
Grade U.S. No 2 or Better, containing not more than 4% broken kernels			
ADM	8,700 MT	$234.64	Gulf
Grade U.S. No. 3 or Better, containing not more than 15% broken kernels			
ADM	4,300 MT	$225.64	Gulf
Grade U.S. No. 5 or Better, containing not more than 20% broken kernels			
ADM	4,215 MT	$219.87	Gulf

☐ On April 5, 2000, Russia purchased approximately 172,650 MT of #2 or better Yellow Corn under their FY 1999/2000 Public Law 480, Title I program.

Delivery period: April 15 - 30, 2000

Supplier	Quantity	Price/MT	Port
ADM	56,000 MT	$96.86	Miss River
ADM	74,000 MT	$97.06	Miss River
ADM	20,500 MT	$102.17	CRDIP/PSD
ADM	20,000 MT	$102.56	CRDIP/PSD
ADM	2,650 MT	$102.95	CRDIP/PSD

☐ On March 15, 2000 Russia purchased approximately 238,500 MT of #2 or Better Yellow Corn under their FY 1999/2000 Public Law 480, Title I program.

Delivery period: March 25 - April 15, 2000

Supplier	Quantity	Price/MT	Port
ADM	118,000 MT	$99.86	Miss River
ADM	79,000 MT	$99.27	Miss River
ADM	41,500 MT	$99.66	Miss River

Appendix 3

DAIRY SITUATION 2000-2008, IMPACT OF PROVIDING FOR SUPPLEMENTAL PAYMENTS

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2002-08
U.S. milk production:											Averages
Milk production	bil. lb.	0.0	0.0	0.3	0.3	0.4	0.5	0.6	0.6	0.6	0.5
Cow numbers	'000 head	0	0	14	18	22	26	27	28	30	23
Production per cow	lb./cow/yr.	0	0	0	0	0	0	0	0	0	0
Milk Prices, at 3.5% bf:											
Class I	$/cwt.	$0.00	$0.00	-$0.01	-$0.01	-$0.02	-$0.02	-$0.03	-$0.03	-$0.04	-$0.02
Class II	$/cwt.	$0.00	$0.00	-$0.01	-$0.01	-$0.02	-$0.02	-$0.03	-$0.03	-$0.04	-$0.02
Class III	$/cwt.	$0.00	$0.00	-$0.16	-$0.16	-$0.16	-$0.16	-$0.21	-$0.33	-$0.24	-$0.20
Class IV	$/cwt.	$0.00	$0.00	-$0.01	-$0.01	-$0.02	-$0.02	-$0.03	-$0.03	-$0.04	-$0.02
All-Milk, at average test	$/cwt.	**$0.00**	**$0.00**	**-$0.08**	**-$0.08**	**-$0.08**	**-$0.09**	**-$0.12**	**-$0.18**	**-$0.14**	**-$0.11**
Supplementation Payments:											
Class III	$/cwt.	$0.00	$0.00	$0.72	$0.81	$0.99	$1.15	$1.32	$1.50	$1.52	$1.14
Class IV	$/cwt.	$0.00	$0.00	$0.03	$0.03	$0.04	$0.05	$0.06	$0.06	$0.07	$0.05
Wholesale Product Prices:											
Butter	$/lb.	$0.00	$0.00	$0.00	$0.00	$0.00	-$0.01	-$0.01	-$0.01	-$0.01	-$0.01
Nonfat Dry Milk	$/lb.	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Cheese		$0.00	$0.00	-$0.01	-$0.01	-$0.01	-$0.01	-$0.02	-$0.03	-$0.02	-$0.01
Net Government Outlays:											Sums
CCC Purchases	mil. $	$0	$0	$30	$45	$54	$69	$82	$97	$98	$475
DEIP Bonus Payments	mil. $	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Supplementation payments:											
Class III	mil. $	$0	$0	$506	$591	$741	$893	$1,048	$1,226	$1,277	$6,281
Class IV	mil. $	$0	$0	$4	$5	$7	$8	$9	$11	$12	$56
Total Net Outlays	mil. $	**$0**	**$0**	**$539**	**$641**	**$802**	**$971**	**$1,140**	**$1,333**	**$1,387**	**$6,812**
Dairy Producer Income:	mil. $	**$0**	**$0**	**$414**	**$503**	**$656**	**$812**	**$914**	**$981**	**$1,109**	**$5,389**
Milk Protein Imports:											Averages
Milk Protein Concentrate	mil. lb.	0	0	0	0	0	0	0	0	0	0
Casein and Caseinates	mil. lb.	0	0	0	0	0	0	0	0	0	0
Nonfat Dry Milk Displaced	mil. lb.	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Nonfat Dry Milk Displaced	mil. lb.	**436**	**482**	**531**	**571**	**604**	**628**	**644**	**652**	**652**	**612**

Appendix 4

DAIRY SITUATION 2000-2008, WITH EXTENSION OF CURRENT PRICE SUPPORT PROGRAM, WITHOUT SUPPLEMENTAL PAYMENTS

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2002-08
U.S. milk production:											Averages
Milk production	bil. lb.	167.7	168.9	171.3	173.9	177.3	180.3	183.0	185.7	188.4	180.0
Cow numbers	'000 head	9,210	9,177	9,090	8,912	8,884	8,837	8,776	8,722	8,668	8,841
Production per cow	lb./cow/yr.	18,204	18,400	18,842	19,515	19,959	20,403	20,847	21,291	21,736	20,370
Milk Prices, at 3.5% bf:											
Class I	$/cwt.	$14.43	$15.88	$15.77	$15.68	$15.60	$15.51	$15.43	$15.35	$15.27	$15.52
Class II	$/cwt.	$12.53	$13.98	$13.87	$13.78	$13.70	$13.61	$13.53	$13.45	$13.37	$13.62
Class III	$/cwt.	$9.74	$11.40	$10.54	$10.42	$10.25	$10.07	$9.96	$9.85	$9.74	$10.12
Class IV	$/cwt.	$11.83	$13.28	$13.17	$13.08	$13.00	$12.91	$12.83	$12.75	$12.67	$12.92
All-Milk, at average test	$/cwt.	**$12.34**	**$13.91**	**$13.42**	**$13.28**	**$13.11**	**$12.95**	**$12.81**	**$12.67**	**$12.54**	**$12.97**
Supplementation Payments:											
Class III	$/cwt.	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Class IV	$/cwt.	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Wholesale Product Prices:											
Butter	$/lb.	$1.14	$1.45	$1.43	$1.41	$1.39	$1.37	$1.35	$1.33	$1.31	$1.37
Nonfat Dry Milk	$/lb.	$1.01	$1.01	$1.01	$1.01	$1.01	$1.01	$1.01	$1.01	$1.01	$1.01
Cheese		$1.16	$1.30	$1.21	$1.20	$1.18	$1.16	$1.15	$1.14	$1.13	$1.17
Net Government Outlays:											Sums
CCC Purchases	mil. $	$598	$509	$451	$482	$513	$530	$541	$545	$545	$3,606
DEIP Bonus Payments	mil. $	$12	$12	$11	$11	$11	$11	$11	$11	$11	$77
Supplementation payments:											
Class III	mil. $	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Class IV	mil. $	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Net Outlays	mil. $	**$610**	**$522**	**$462**	**$493**	**$524**	**$541**	**$552**	**$556**	**$556**	**$3,683**
Dairy Producer Income:	mil. $	**$20,525**	**$23,314**	**$22,826**	**$22,942**	**$23,104**	**$23,201**	**$23,302**	**$23,411**	**$23,509**	**$162,294**
Milk Protein Imports:											Averages
Milk Protein Concentrate	mil. lb.	142	161	181	197	211	220	227	230	230	214
Casein and Caseinates	mil. lb.	239	256	272	286	297	305	311	314	314	300
Nonfat Dry Milk Displaced	mil. lb.	**436**	**482**	**531**	**571**	**604**	**628**	**644**	**652**	**652**	**612**

Appendix 5

WASDE-370-10

U.S. Feed Grain and Corn Supply and Use 1/

Item	1998/99	1999/00 Est.	2000/01 Projections December	2000/01 Projections January
FEED GRAINS				
Area		Million acres		
Planted	101.0	96.5	98.9	99.1
Harvested	88.9	86.2	88.2	88.0
Yield per harvested		Metric tons		
acre	3.05	3.05	3.13	3.12
		Million metric tons		
Beginning stocks	38.1	51.3	48.8	48.8
Production	271.2	262.9	276.2	274.2
Imports	3.0	2.7	2.6	2.6
Supply, total	312.3	316.9	327.6	325.7
Feed and residual	152.3	156.9	160.4	158.4
Food, seed & industrial	52.7	54.7	56.2	55.9
Domestic, total	205.0	211.7	216.5	214.3
Exports	55.9	56.4	62.0	60.8
Use, total	261.0	268.1	278.5	275.2
Ending stocks, total	51.3	48.8	49.1	50.5
CCC inventory	0.3	0.4	0.4	0.4
Free stocks	51.0	48.5	48.7	50.1
Outstanding loans	10.3	10.2	10.4	10.4
CORN				
Area		Million acres		
Planted	80.2	77.4	79.6	79.6
Harvested	72.6	70.5	73.0	72.7
Yield per harvested		Bushels		
acre	134.4	133.8	137.7	137.1
		Million bushels		
Beginning stocks	1,308	1,787	1,715	1,718
Production	9,759	9,431	10,054	9,968
Imports	19	15	10	10
Supply, total	11,085	11,232	11,779	11,696
Feed and residual	5,471	5,664	5,850	5,775
Food, seed & industrial	1,846	1,913	1,975	1,965
Domestic, total	7,318	7,578	7,825	7,740
Exports	1,981	1,937	2,200	2,150
Use, total	9,298	9,515	10,025	9,890
Ending stocks, total	1,787	1,718	1,754	1,806
CCC inventory	12	14	15	15
Free stocks	1,775	1,704	1,739	1,791
Outstanding loans	391	392	400	400
Avg. farm price ($/bu) 2/	1.94	1.82	1.65- 2.05	1.65- 2.05

Note: Totals may not add due to rounding. 1/ Marketing year beginning September 1 for corn and sorghum; June 1 for barley and oats. 2/ Marketing-year weighted average price received by farmers.

WASDE-370-9

U.S. Wheat Supply and Use 1/

Item	1998/99	1999/00 Est.	2000/01 Projections December	2000/01 Projections January
Area		Million acres		
Planted	65.8	62.7	62.5	62.5
Harvested	59.0	53.8	53.0	53.0
Yield per harvested acre	43.2	Bushels 42.7	41.9	41.9
		Million bushels		
Beginning stocks	722	946	950	950
Production	2,547	2,299	2,223	2,223
Imports	103	95	95	95
Supply, total	3,373	3,339	3,268	3,268
Food	910	925	945	945
Seed	81	92	86	84
Feed and residual	394	284	250	300
Domestic, total	1,385	1,300	1,281	1,329
Exports	1,042	1,090	1,125	1,125
Use, total	2,427	2,390	2,406	2,454
Ending stocks	946	950	862	814
CCC inventory	128	104	120	105
Free stocks	818	846	742	709
Avg. farm price ($/bu) 2/	2.65	2.48	2.50- 2.70	2.55- 2.75

U.S. Wheat by Class: Supply and Use

Year beginning June 1	Hard Winter	Hard Spring	Soft Red	White	Durum	Total
1999/00 (estimated)		Million bushels				
Beginning stocks	435	233	136	87	55	946
Production	1,051	448	454	247	99	2,299
Supply, total 3/	1,486	741	590	340	182	3,339
Domestic use	542	293	287	89	89	1,300
Exports	486	230	170	160	44	1,090
Use, total	1,028	523	457	249	133	2,390
Ending stocks, total	458	218	133	91	50	950
2000/01 (projected)						
Beginning stocks	458	218	133	91	50	950
Production	844	498	471	301	110	2,223
Supply, total 3/	1,303	773	604	399	190	3,268
Domestic use	502	322	287	116	101	1,329
Exports	440	245	190	200	50	1,125
Use, total	942	567	477	316	151	2,454
Ending stocks, total						
January	360	206	127	83	38	814
December	359	231	136	98	39	862

Note: Totals may not add due to rounding. 1/ Marketing year beginning June 1. 2/ Marketing-year weighted average price received by farmers. 3/ Includes imports.

WASDE-370-13

U.S. Soybeans and Products Supply and Use (Domestic Measure) 1/

Item	1998/99	1999/00 Est.	2000/01 Projections December	2000/01 Projections January
SOYBEANS:		Million acres		
Area				
Planted	72.0	73.7	74.5	74.5
Harvested	70.4	72.4	73.0	72.7
		Bushels		
Yield per harvested acre	38.9	36.6	38.0	38.1
		Million bushels		
Beginning stocks	200	348	288	290
Production	2,741	2,654	2,777	2,770
Imports	3	4	3	3
Supply, total	2,944	3,006	3,068	3,063
Crushings	1,590	1,579	1,605	1,600
Exports	805	973	975	975
Seed	88	90	90	90
Residual	113	74	77	78
Use, total	2,595	2,716	2,747	2,743
Ending stocks	348	290	320	320
Avg. farm price ($/bu) 2/	4.93	4.63	4.50- 5.10	4.50 - 5.00
		Million pounds		
SOYBEAN OIL:				
Beginning stocks	1,382	1,520	1,995	1,995
Production	18,081	17,824	18,175	18,065
Imports	82	83	80	80
Supply, total	19,546	19,427	20,250	20,140
Domestic	15,655	16,055	16,450	16,450
Exports	2,372	1,376	1,550	1,400
Use, total	18,027	17,432	18,000	17,850
Ending stocks	1,520	1,995	2,250	2,290
Average price (c/lb) 2/	19.90	15.60	13.50-16.00	13.25-15.25
		Thousand short tons		
SOYBEAN MEAL:				
Beginning stocks	218	330	293	293
Production	37,792	37,623	38,217	38,317
Imports	99	49	65	65
Supply, total	38,109	38,003	38,575	38,675
Domestic	30,657	30,378	31,000	31,200
Exports	7,122	7,331	7,300	7,200
Use, total	37,779	37,710	38,300	38,400
Ending stocks	330	293	275	275
Average price ($/s.t.) 2/	138.50	167.70	170.00-195.00	170.00-195.00

Note: Reliability calculations at end of report. 1/ Marketing year beginning September 1 for soybeans; October 1 for soybean oil and meal. 2/ Prices: soybeans, marketing year weighted average price received by farmers; for oil, simple average of crude soybean oil, Decatur; for meal, simple average of 48 percent, Decatur.